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AWARDS



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Sedgwick



Sedgwick CMS

The claims management service administrator has seen exponential growth through acquisitions and a 'can do' culture

BY JANE A. DONAHOE

SEDGWICK CLAIMS MANAGEMENT SERVICES INC. ISN'T NECESSARILY a household name.

The third-party insurance claims administrator is a \$1.2 billion business, however, counting the nation's largest corporations as its clients. And while Sedgwick may handle millions of claims every year, chances are the claimants will have never heard of it.

That's because Sedgwick isn't an insurance company.

"If someone gets a check or payment from us, it may not even have our name on it," says Jason Hood, executive vice president, chief legal counsel, and chief administrative officer. "When we write a check, it's on behalf of our client."

The Memphis-based company has enjoyed prodigious growth in its 45-year history, and it's used a variety of strategies to facilitate that growth, including expanded service offerings and acquisitions.

But Sedgwick CEO David A. North contends most of the company's growth is organic. He says 50 percent of new business comes from current clients buying more services.

"That goes back to our roots of believing we're in the service business," North says. "If you do it and do it well, the likelihood is they'll give you more stuff to do."

The bigger the client is, the more services Sedgwick can inherently provide.

In 1990, the company landed its first contract with one of the largest companies in the country: Fortune 100 companies have since become the bread and butter of Sedgwick's business. It works for Target, Kroger, FedEx, and General Motors, to name a few.

Industry verticals have been a source of growth, as well. GM is a long-time client, but over the years Sedgwick has added Honda and Toyota. Similarly, it works for both Coca-Cola and PepsiCo, for American Airlines and Southwest Airlines.

North admits that one client recommending Sedgwick CMS to its archrival is unusual, especially in highly competitive industries.

"We're fortunate that customers see the good in what we do and are happy to tell that story," he says.

And some of the growth Hood attributes to old-fashioned good luck.

"Some of it may be a matter of being in the right place at the right time," he says.

EXPANDED SERVICES

THE COMPANY WAS FOUNDED IN CALIFORNIA in 1969 as regional third-party administrator National Compensation Services. It began providing claims for worker's compensation in 1971, and that segment still provides nearly half of its 2.8 million annual claims. (It was renamed Claims Management Services in 1983.) But as the company has aged, and the needs of its clients have evolved, Sedgwick CMS has diversified its service offerings.

"If there's a set of rules to be applied, and there's a payment to be made, we're pretty good at that," Hood says. "Our clients would see us do something like that in worker's compensation and then ask us to maybe manage some of the medical aspects of it."

Sedgwick entered the disability market in 1993, the liability market in 1996, the managed care market in 2000, the FMLA administration market in 2002, and the health care professional liability market in 2006. In

2009, it integrated Medicare compliance solutions with existing claims management services.

"Whether it's short-term disability or worker's comp, we relieve that burden from companies that find it difficult to keep up with changing laws and regulations."

ACQUIRE AND BE ACQUIRED

AQUISITIONS HAVE ALSO PLAYED AN important role in the company's astronomic growth.

In 1973, National Compensation Services was acquired by insurance broker Fred S. James & Co., and acquired again in 1985 by a larger broker, the Sedgwick Group.

The Marsh & McLennan acquisition in 1998 was the turning point for the business. Existing brokerage operations were merged into the Marsh organization, and, although Marsh remained a large stakeholder, the claims management operations — Sedgwick CMS — became a separate, independently owned company with headquarters in Memphis.



PHOTOGRAPHS BY AMIE VANDERFORD

Sedgwick CMS, with its corporate headquarters on Midway Loop Rd. in East Memphis, is a \$1.2 billion business that counts some of the nation's largest corporations among its clients.



SEDGWICK CMS CEO: David A. North

David A. North's father was a firefighter. So were his grandfather and his uncle. Even his mother was a dispatcher for the fire department in Keego Harbor, Michigan. So when North graduated from high school, he naturally decided to follow in the family footsteps. He joined the United States Air Force, earned a degree in fire protection engineering, and went to work as a firefighter. But it didn't take long for him to realize he might have a knack for something other than running into burning buildings.

"I thought, 'Maybe with my degree, I could get a job to help before the building catches on fire,'" North says.

So North took a job in the insurance industry, starting out in an entry-level position with Atlantic Mutual Insurance and working his way up the industry ranks.

Now he's the CEO of Sedgwick CMS, the largest, independent, private, third-party claims administrator in the entire United States.

Under North's leadership, Sedgwick has grown exponentially. When he joined the company in 1995, it employed 500 people and counted revenue of \$50 million. It now counts more than 11,000 "colleagues" — as its employees are called — and revenue of more than \$1.2 billion.

That this growth happened under North's leadership isn't lost on those he works with.

"Dave is one of those leaders who really is dynamic and transformational," says Jason Hood, Sedgwick executive vice president, chief legal officer and chief administrative officer. "He really is a great example of setting the right tone at the top."

Stephanie Simpson, Sedgwick vice president of CR compliance, points to the company's nimble approach to decision-making as

an example of North's strengths.

"We don't have many, many layers where you have to go through 10 people to get an answer quickly," she says.

He is also accessible to the company's colleagues.

"Dave is the kind of leader that goes into our offices and connects with our colleagues," Simpson says. "You'll hear him say, 'If you take care of our colleagues, they will take care of our clients.'"

Taking care of clients is the No. 1 priority for a service company like Sedgwick, and North knows that is crucial to his, and Sedgwick's, success.

"Our people are our product and they are important to us," he says.

When he's not leading Sedgwick, and traveling to the company's 200 locations across the country, North, 58, enjoys family, friends, and golf. "Hopefully in that order, although my wife may say I get it messed up sometimes."

He's involved in a variety of charitable organizations, and has a passion for the arts in Memphis. He sits on the board of the Spencer Educational Foundation, which provides scholarships and internship opportunities for students looking to pursue a career in insurance. He also is a frequent speaker at national and regional industry conferences, and co-authored the book *THE ART OF SELF-INSURANCE* in 2003.

North plans to remain at the Sedgwick helm, guiding the company through more growth and expansion opportunities. Because the company follows the needs of its clients, North says he sees increased healthcare service offerings as one avenue for growth. Also, Sedgwick currently only operates in the U.S. and Canada, so "international opportunities are something we think about a lot," he says.

"Since that time, the company has really focused on providing third-party claims," Hood says. "It's a very complicated type of business that most employers can't do themselves."

The company acquired Johnston & Culberson, a leading workers' compensation TPA in the Pacific Northwest, and Preferred Works, an administrator of self-insured state disability programs and a pioneer in integrated disability management, in 2002.

In 2006, Marsh sold its stake in Sedgwick CMS to Fidelity National, sparking new growth for the company. The same year it acquired VPA, a privately held, California-based claims services organization, specializing in absence and disability benefit management programs for large employers, and CompManagement, an Ohio-based TPA, and its affiliates.

In 2010, Sedgwick began a new partnership with private equity firms Stone Point and Hellman & Friedman for the next stage of its growth. The partnership enabled more expansion through acquisition, beginning with investigative specialist Factual Photo Inc.

Four other notable acquisitions in 2011 further broadened the scope of the business: Specialty Risk Services, a wholly owned TPA subsidiary of The Hartford; Selective Settlements International; Nationwide Better Health's Productivity Solutions business; Cambridge Integrated Services Group, including Cambridge Galaher Settlements & Insurance Services.

Earlier this year, investment group Kohlberg Kravis Roberts & Co. paid \$2.4 billion for a majority ownership stake in Sedgwick.

THE "COLLEAGUE" CULTURE

SEDGWICK CMS EMPLOYEES AREN'T OFTEN CALLED employees. North, Hood and the rest of the company's leadership refer to their staff as colleagues.

North says the term is common in Europe, particularly in the U.K., and came from the legacy of London-based Sedgwick. But they have adopted and embraced it as a sign of the company's attitude toward its employee base.

"As we've separated from that heritage of Europe and created our own culture, the term 'colleague' means more to us in its classic sense," North says. "We embrace and protect that phrase pretty aggressively."

Hood says Sedgwick's colleagues are the type of people who want to do the very best. They view problems as challenges.

"Our natural inclination is, 'Sure we can do that for you. Let's figure it out. Let's do it faster and better than anybody else,'" he says.

Senior leadership also makes an effort to get out to its network of 200 offices across the country.

A company program, dubbed "Voice Your Ideas," is aimed at allowing colleagues to offer business improvements and suggestions.

"Oftentimes the best ideas are not from someone sitting in a senior leadership position but from someone who's doing the job every day," says vice president Stephanie Simpson. "You really don't hear 'no' around here if you have an innovative idea."

North is passionate about his company's more than 11,000 colleagues. Sedgwick people are Sedgwick's product. He says one way to irritate him in a meeting is to refer to those people as head count.

"That's an insulting term to me, that human beings get turned into line items or costs on a spreadsheet," he says. "We're in the service business. We're very fortunate to do business with some of the largest corporations in the country but all we really have is human beings."

MEMPHIS: A GOOD PLACE TO GROW

IF SEDGWICK CMS INC. WAS RIPE FOR GROWTH WHEN moving its headquarters to Memphis in 1998, then Memphis was a good incubator for that growth.

About 700 of the company's 11,000 colleagues work in the Bluff City. Hood references several of the positives Sedgwick has enjoyed as a Memphis-based business including the city's central location, higher-learning institutions, talent pool, cost of living, cost of doing business, and an active Greater Memphis Chamber.

He referenced FedEx, the city's healthy medical device industry, MAA, Education Realty Trust, and Kemmons Wilson Companies, as examples of the city's innovation.

"I don't think we give ourselves enough credit in Memphis for the innovations we have," he says. "We have people in Memphis who not only have an entrepreneurial spirit but really do have a special service mentality."

North traces his roots to suburban Detroit, a community that faces similar challenges to Memphis, but is also flush with entrepreneurs and creators. Both Memphis and Detroit are working to improve education, social infrastructure, the arts, and government.

There's also a core group of people that lend their financial support to improving those issues.

"The issues don't seem to get the community down," North says. "It's something for the national press to write about, but the community seems to rally around those issues."

When the company moved its home base from Chicago to Memphis in 1998, North says he told Sedgwick

colleagues they would have more opportunities to be involved in the community. That has been a point of emphasis for the company under his leadership.

It's easier for Sedgwick to be involved and be more visible in a variety of social activities here than in Chicago for one key reason: "There are a lot of billion-dollar companies in Chicago," he says.

The roster of billion-dollar businesses in Memphis is much smaller, and because of Sedgwick's stature, it has access to influential people in a variety of organizations.

"In Memphis, we can be, and our colleagues can be, as active as we choose to be," he says.

Sedgwick CMS doesn't designate specific charities, but it does value the charitable outreach of its employee base. It prefers to support nonprofits through which its colleagues volunteer.

"As opposed to asking our colleagues to do the things that we think are good, we tend to reverse that," North says. "Our charitable mission is to support our colleagues. If they're going to give their time and money to a charity, then that's where Sedgwick wants to put its time and money."

Hood and Simpson are good examples of that philosophy. He has been very involved personally with the Boy Scouts of America. She recently finished her term as Junior League of Memphis president.

"It's not something we do to leverage our business," Hood says. "We're doing it for the right reasons."

Some local nonprofits that Sedgwick does support include The Orpheum Memphis, Juvenile Diabetes Research Foundation, and the RISE Foundation. It has also recently launched a partnership with the University of Memphis.

Through his relationship with former interim U of M president Brad Martin, North helped create an intentional collaboration between the university and the local business community.

"Through (Martin's) encouragement, we got a broad group of executives to meet with senior people at the university and mapped out a comprehensive road map of how we might better support the university and how the university might better support us," North says.

Specifically, Sedgwick is helping with student mentoring, curriculum development, and internship opportunities. North says he is looking forward to an expanded relationship with the university over the years, and has tapped Simpson to lead the partnership.



"Oftentimes the best ideas are not from someone sitting in a senior leadership position but from someone who's doing the job every day. You don't hear 'no' around here if you have an innovative idea."